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No. 07-202

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IN THE

Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

VIACOM, INC.; VIACOM INTERNATIONAL, INC.;
MTV NETWORKS COMPANY,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY FOR PETITIONER

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REPLY FOR PETITIONER

Respondents urge that the courts of appeals are not divided on when an award of profits is permissible under the Lanham Act. In particular, they claim that, until 1999, the courts of appeals "almost uniformly" held that an award of infringer's profits is impermissible "absent 'willful'" infringement. Br. in Opp. 13. They claim that, after 1999, the courts (with equal uniformity) adopted precisely the opposite view—rejecting the *per se* willfulness requirement—in light of the 1999 amendments to the Act. *Id.* at 17. And respondents urge that this case does not present a recurring issue because it is governed by the pre-1999 version of the Lanham Act.

Each of those contentions is incorrect. The division in court of appeals authority is longstanding and well recognized; respondents simply ignore the conflicting authorities as well as myriad sources expressly recognizing the conflict. Respondents likewise fail to explain

why the 1999 amendments, which made no substantive change to the law, should make a difference. And this case is not governed by the pre-1999 version of the Lanham Act. To the contrary, while respondents claim that all of the relevant conduct terminated "before the 1999 Amendment became effective August 5, 1999," Br. in Opp. 13, the district court specifically rejected that assertion. The petition thus presents a square conflict in circuit authority that warrants this Court's review.

I. The Courts Of Appeals Are Divided On Whether Willfulness Is An Across-The-Board Prerequisite To An Award Of An Infringer's Profits

A. Respondents first argue that the courts of appeals have never been divided on whether a finding of willfulness is a prerequisite to an award of some or all of the infringer's profits traceable to the infringement. According to respondents, until Congress amended the Lanham Act effective August 5, 1999, "the Circuit Courts almost uniformly followed [a] *per se* rule that an accounting for trademark profits cannot be awarded absent 'willful' or 'bad faith' infringement." Br. in Opp. 13-14. Respondents, however, nowhere explain why every single authority to have examined the issue has come to precisely the opposite review. See Pet. 19-20. Commentator after commentator has recognized that, contrary to respondents' claims, "[t]here is an established split in the circuits regarding the type of proof necessary to obtain an accounting of the defendant's profits." D. Long, *Unfair Competition and the Lanham Act* § 7.11.3.3 (1993). "On the key issue of scienter, a clear split has developed among the Circuits * * * ." J. Koelemay, *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark Rep. 263, 263 (1995); see D. Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 864

(2002) ("[N]early five decades of circuit court and district court decisions have resulted in a schizophrenic view * * * ."). As Professor McCarthy explains, by 2005, "a split of authority developed such that while most circuits required some showing of willfulness" others "held that while relevant, willfulness was not essential or indispensable to a recovery of profits." 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:62, at 30-142 to 30-143 (4th ed. 2007); see Pet. 19-20 (additional cites). Respondents do not address those authorities—all cited in the petition—much less identify any to support their opposing view.

The cases likewise belie respondents' claim of harmonious consistency. Respondents correctly note that many courts of appeals (like the Second, Sixth, Eighth, and Tenth Circuits, joined by the Ninth Circuit below) have adopted a *per se* requirement of bad faith. Br. in Opp. 13-14. But myriad courts have long rejected that approach. Thus, while respondents claim that the Fifth Circuit "expressly required willfulness or bad faith as a condition to an award of profits," Br. in Opp. 14, the very Fifth Circuit case they cite disclaims any such requirement: "[T]his Court has *not required a particular factor to be present* * * * ." *Pebble Beach Co.* v. *Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) (emphasis added). To the contrary, *Pebble Beach* explains that district courts must look to a range of "relevant factors," including not just "intent" but also "diverted sales," "adequacy of other remedies," "unreasonable delay by the plaintiff," and "the public interest." *Ibid.*[1]

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[1] Respondents' description of *Pebble Beach* in a parenthetical (Br. in Opp. 15) thus is incorrect. After denying that any particular factor is a prerequisite, and listing "relevant" factors, the court merely concluded that, in light of the relevant factors, the district court had not "abused its discretion" in denying profits "in th[at] case" because willfulness was absent, *no injury* was imposed, *and* injunctive relief

Respondents, moreover, do not attempt to distinguish the Eleventh Circuit's decision in *Burger King Corp.* v. *Mason*, 855 F.2d 779 (1988), cited Pet. 13. That case's holding is clear: "Nor is an award of profits * * * dependent upon a higher showing of culpability on the part of the defendant * * * ." *Id.* at 781; see *id.* at 783 ("[N]o hard and fast rules dictate the form or quantum of relief").[2] And respondents wholly ignore the Seventh Circuit's decision in *Sands, Taylor & Wood* v. *Quaker Oats Co.*, 34 F.3d 1340, 1349 (1994) (*Sands II*), which unambiguously holds that, "[o]ther than general equitable considerations, there is no express requirement that * * * the infringer wilfully infringe * * * to justify an award of profits." Thus, while respondents labor to dismiss *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990), as *dictum*, see Br. in Opp. 15, the petition relies on *Sands II*, not *Roulo*. See Pet. 13-14. Ignoring contrary precedents like *Burger King* and *Sands II* does not make them go away.

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was otherwise *sufficient*. 155 F.3d at 555. Here, no court has found that an injunction, entered after years of infringement and litigation, is sufficient recompense; nor has any court found that respondents were not unjustly enriched by their infringement. To the contrary, respondents appropriated M2 Software's protected mark to promote their product for years on end precisely because it was, in their view, better than the non-infringing alternatives. Pet. 7. In any event, far from supporting a *per se* bad faith prerequisite, *Pebble Beach* rejected that approach, requiring district courts to exercise their discretion in light of a variety of factors.

[2] Although respondents cite Appendix A to *Babbit Electronics, Inc.* v. *Dynascan Corp.*, 38 F.3d 1161 (11th Cir. 1994), as contrary authority, the district court decision reproduced with approval by the Eleventh Circuit there merely held willfulness was a *sufficient* basis for an award of profits: "Where the defendant's infringement is deliberate and willful, as in this case, an accounting for profits is proper * * * ." *Id.* at 1182. It nowhere suggests (contrary to *Burger King*) that willfulness is a *necessary* condition to an award of profits.

Respondents also decline to engage the merits—and with reason: The approach adopted by the Fifth, Seventh, and Eleventh Circuits is correct. As the petition explains (and respondents do not dispute), the Lanham Act expressly distinguishes among the mental states required for various types of relief. For example, 15 U.S.C. § 1114(1) has long precluded monetary relief for violations of Section 1114(1)(*b*)—but not Section 1114(1)(*a*)—absent proof of "knowledge" that the imitation was "intended to be used to cause confusion, or to cause mistake, or to deceive." Pet. 5, 21-22. More important for present purposes, for more than a decade the Lanham Act provisions addressing dilution, 15 U.S.C. § 1125(c), have specified that no monetary relief for dilution is available unless the defendant "*willfully* intended to trade" on the plaintiff's reputation or "*willfully* intended to harm" the mark's reputation. 15 U.S.C. § 1125(c) (emphasis added); see Pet. 14-15, 20-21. By contrast, Congress included no willfulness requirement for other Lanham Act claims, such as those at issue here. The deliberate inclusion of a willfulness requirement for dilution under Section 1125(c), but not for other claims, speaks volumes about Congress's intent. Simply put, where Congress wanted willfulness to be an absolute prerequisite for certain types of relief, it said so expressly. Pet. 15, 20-21. Respondents again offer no answer—because none exists.

B. Alternatively, respondents urge that review is unwarranted because a 1999 amendment to the Act "appears to have eliminated any alleged conflict among appellate court opinions." Br. in Opp. 17. But respondents do not claim that their view has been confirmed. Instead, respondents assert that the 1999 amendment has caused the courts universally to reject the *per se* willfulness requirement to adopt M2 Software's position that no such requirement exists.

As an initial matter, that claim is difficult to reconcile with the Ninth Circuit's decision below, which rejected the assertion that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement" as resting on a "shaky assumption." Pet. App. 4a. It is also hard to reconcile with myriad cases—cited in the petition (at 18-19 n.10) but ignored by respondents—which continue to apply a *per se* willfulness requirement despite the 1999 amendments.[3] And the rampant confusion continues to this day, with still more cases applying the *per se* willfulness requirement despite respondents' claim of settled uniformity. See, *e.g.*, *Malletier* v. *Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 279-281 (S.D.N.Y. 2007) (holding that, "in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception," and declaring that "the 1999 Amendment" to the Lanham Act "did not alter" or seek to "overturn the weight of authority" on that issue).

Nor do respondents anywhere explain *why* the 1999 amendment to the Lanham Act can be read to change the Act's meaning. As the petition explains (at 24-25), that amendment changed the language of 15 U.S.C. § 1116 (addressing injunctions) and § 1117 (addressing monetary relief) to incorporate the standards for relief *already set forth* for dilution claims under 15 U.S.C. § 1125(c). Given that the 1999 amendment made no substantive changes to the law—and merely repeated in Sec-

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[3] See, *e.g.*, *Collegenet, Inc.* v. *XAP Corp.*, 483 F. Supp. 2d 1058, 1065 (D. Ore. 2007) (plaintiff must establish "willful misconduct" to recover profits); *Cache la Poudre Feeds, LLC* v. *Land O' Lakes, Inc.*, 438 F. Supp. 2d 1288, 1291 (D. Colo. 2006) (Tenth Circuit precedent "require[s] a showing that Defendant['s] actions were willful"); *Blau* v. *YMI Jeanswear, Inc.*, No. CV 02-09551 FMC (SHSx), 2004 WL 5313967, at *6 (C.D. Cal. Jan. 2, 2004) (profits available only when infringement is "willfully calculated").

tions 1116 and 1117 the standards for relief for dilution claims already set forth in Section 1125[4]—it is hard to see how it could be said to have revolutionized the law in this area. See *Malletier*, 500 F. Supp. 2d at 282 (finding the argument that the 1999 amendment to Section 1117 changed anything "not persuasive" because, "at the time of the 1999 Amendment, the language of section 1125(c) explicitly required" proof of "willfulness in order to recover monetary relief on a dilution claim"). Respondents again offer no answer whatsoever.

C. In any event, if respondents were correct that the 1999 amendments clarify that there is no *per se* requirement, that would favor granting the petition (or summary reversal). Although respondents claim that this case must be decided "based upon the case law applying" the Lanham Act "before the 1999 Amendment" because they "voluntarily ended all use of the M2: MUSIC TELEVISION name and logo in March 1999," Br. in Opp. 13, those contentions are factually and legally unfounded.

First, the district court expressly rejected respondents' factual claim that their infringing conduct ended in 1999. See Pet. App. 20a. Seeking to convince the district court that there was "no longer any need for or basis for an injunction" in 2004, respondents made the very same

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[4] Before 1999, Section 1116 did not state that injunctive relief was available for dilution claims under Section 1125(c), even though Section 1125(c) itself provided for that relief. Pet. 24-25. The 1999 amendments conformed Section 1116 to Section 1125(c) by adding Section 1125(c) dilution claims to the list of claims for which injunctive relief is available. *Ibid.* Likewise, in 1994, Section 1117 did not mention monetary relief for dilution claims. But even then Section 1125(c) made it clear that monetary relief was available for claims of willful dilution—and only claims of willful dilution. See Pet. 5 n.2, 24-25. Accordingly, the 1999 amendments merely modified Section 1117 to conform it to the standards for monetary relief already set forth in Section 1125(c). *Ibid.*

argument, urging that they had formally "change[d] the name of their cable channel from 'M2: MUSIC TELEVISION' to 'MTV 2'" in "March of 1999." *Id.* at 19a, 20a. But the district court *rejected* the formal name change as insufficient. *Id.* at 20a. It therefore denied respondents' motion for summary judgment in March of 2004, noting M2 Software's argument "that the infringement [wa]s actually ongoing" as of that date—more than four years after the August 5, 1999 amendment's effective date—and citing the use of the "M2" mark in finance "press releases" and use of that mark to "refer[] to [respondents'] second network" on an NBC special. *Id.* at 20a. Because "a reasonable jury could find that [respondents] infringed M2 Software's trademark," the court held that "any doubts about whether a permanent injunction would be an appropriate remedy should be resolved in [M2 Software's] favor." *Id.* at 20a-21a.[5] When the district court issued an injunction in September of 2004, moreover, the court enjoined respondents' use of the "M2" mark, *id.* at 11a, precisely the ongoing infringement the court and M2 Software identified as ongoing in 2004. Nowhere do respondents contend that the pre-1999 version of the Lanham Act can apply to conduct that extended into 2004.

Perhaps for that reason, respondents attempt to recast the Ninth Circuit's decision as holding that "all of the allegedly infringing acts at issue occurred prior to the

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[5] Even after the amendments, respondents infringed in other ways. For example, respondents used the "M2" trademark as a metatag as late as 2004 to draw consumers to their MTV.COM website. C.A. E.R. 333-4, 50, 51; C.A. E.R. 294-254. Such use of infringing "metatags" is considered ample evidence of infringement. See *Brookfield Commc'ns, Inc.* v. *W. Coast Entm't Corp.*, 174 F.3d 1036, 1065 (9th Cir. 1999) ("We conclude that the Lanham Act bars West Coast from including in its metatags any term confusingly similar with Brookfield's mark.").

effective date of the 1999 amendment." Br. in Opp. 7-8 (citing Pet. App. 4a-5a). But the Ninth Circuit never said that. The Ninth Circuit's opinion states that "the 1999 amendments * * * do not apply to this suit, which was *filed* in October 1998." Pet. App. 4a (emphasis added). Neither respondents nor the Ninth Circuit explain why the 1999 amendments would be inapplicable simply because the lawsuit was filed before 1999, when the infringing conduct being challenged continued into 2004.

Indeed, the very cases respondents distinguish or otherwise invoke as applying the post-1999 version of the Lanham Act all involve lawsuits filed before the effective date of the amendments. See, *e.g.*, *Banjo Buddies*, 399 F. 3d 168, 172 (3d Cir. 2005) (applying 1999 amendments to lawsuit filed in April 1999, 6 months before the August 5, 1999 effective date); *Quick Techs.*, 313 F.3d 338, 342 (5th Cir. 2002) (applying 1999 amendments to all lawsuits in consolidated action where first lawsuit was filed May 22, 1998). The different results in these otherwise identically situated cases weigh in favor of further review.

Respondents' claim that this Court must resolve this decision "based upon the *case law* applying" the Lanham Act as it existed "before the 1999 Amendment," Br. in Opp. 13 (emphasis added), is likewise unsupported. This Court is hardly bound by the Ninth Circuit's mistaken construction of the Lanham Act. And, for the reasons given above, this case squarely presents the proper construction of the Act in its current form—it challenges conduct that extended well past the 1999 amendments (which did not alter substance in any event).[6]

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[6] Respondents note (Br. in Opp. 16 n.5) that review was denied on a similar issue in *Contessa Premium Foods, Inc.* v. *Berdex Seafood, Inc.*, No. 04-1693, despite amicus support from INTA. But the conduct in *Contessa* all predated the 1999 amendments, and the petition there failed to note that the 1999 amendments made no substantive change to the Lanham Act. In any event, the fact that the judicial

II. Respondents Err In Asserting That The Ninth Circuit Had "Discretion" To Apply A "*Per Se* Rule"

Finally, respondents assert that the Ninth Circuit was "within its discretion to enforce a *per se* rule" here. Br. in Opp. 20, 21. But it is hard to see what role "discretion" has in that argument. Respondents appear to argue that this Court's cases require a *per se* approach. But the cited cases do not support that rule;[7] myriad courts of appeals have held that no such *per se* rule exists, see Pet. 13-16; pp. 3-5, *supra*, and respondents themselves identify a trend away from that requirement, Br. in Opp. 17-19. To the extent respondents thus contend that an increasing number of courts are departing from this Court's precedents, that too weighs in favor of—not against—granting the petition.

* * * * *

For the foregoing reasons and those stated in the petition for a writ of certiorari, the petition should be granted.

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disarray persists two years after *Contessa* weighs strongly in favor of review.

[7] *McLean* v. *Fleming*, 96 U.S. (6 Otto) 245 (1877), denied an award of profits because "[a]cquiescence of long standing" and "inexcusable laches in seeking redress" were "proved." *Id.* at 258. In *dictum*, the case mentions "want of fraudulent intent" as a ground for denying an award of profits, but it nowhere establishes an across-the-board rule. Likewise, *Saxlehner* v. *Siegel-Cooper Co.*, 179 U.S. 42 (1900), found an award of profits unwarranted where the defendant not only acted "in good faith," but "the sales . . . were small." *Id.* at 43. But respondents' infringement here lasted for years, and continued despite repeated notice from and demands by M2 Software. Finally, to the extent respondents rely on *Champion Spark Plug Co.* v. *Sanders*, 331 U.S. 125 (1947), see Br. in Opp. 9, their argument is "simply an incorrect reading of *Champion*." K. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding of Bad Faith*, 87 Trademark Rep. 271, 282 (1997).

Respectfully submitted.

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